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Copy 4 of 5John S.
File 4

21 August 1957

25X1A

Hycon Mfg. Company
Pasadena, California

Attention: [REDACTED], Manager, Engineering Products Division

Subject: Contract No. OS-100

Gentlemen:

As you know an examination was made of your books by our auditor regarding your price redetermination proposal submitted in your letter of 28 May 1957 regarding Contract No. OS-100.

Your proposal and our accepted costs and related profit are summarized below.

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Proposed Costs	Accepted Costs
407,698.29	366,872.42

Proposed Profit

[REDACTED]

[REDACTED]

A total of \$40,825.87 in costs are questioned and are broken down as set forth below. The amounts questioned contain all related costs (incurred and estimated) together with applicable overhead and general and administrative expenses.

Exhibit A - Labor Costs: \$13,641.28. Errors were made in computing total man-months.

Exhibit B - Engineering and Field Service Overhead: \$18,541.26. Your proposed burden costs were in excess of your recorded costs. It appeared that you did not anticipate the effect of a major accounting policy change. In addition, Field Service overhead contained items not recognized as costs of Government contracts.

Exhibit C - General and Administrative Expenses: \$8,643.33. The expense pool from which these costs were allocated to the contract contained several items totaling \$341,615, which in our opinion are not reasonable in amount or not necessary for the performance of the contract.

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Enclosed you will find copies of the Exhibits mentioned above which contain additional detailed information regarding the questioned costs.

If you concur with our findings and are willing to accept our offer of \$399,890.94 as the final contract price for Contract No. OS-100 for the period from inception through 30 June 1957 please advise and we will issue an amendment to the contract.

In the event you do not agree with the proposed redetermined price we would appreciate your written reply setting forth the costs questioned which meet with your concurrence and a detailed explanation of your reasons why other cost items should be considered allowable. We have found that this written method results in a considerable saving of time if personal negotiations are required.

If our proposed final price of \$399,890.94 is not accepted the offered profit in the amount of \$33,018.52 will be retracted and the final amount will be subject to further consideration and negotiation.

Very truly yours,


25X1A


Contracting Officer

PCS/DCI:HL:bas (8/21/57)

Distribution:

Orig. - Hycon

- 2. -  - OS-100 w/SAPC-18441 cy 1 (Proposal Section)
- 3. - Audit Folder
- 4. - Proj. Finance
- 5. - Chrono (RI)

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